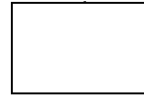


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The Director of Central Intelligence
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EXECUTIVE BRIEF

Primary Soviet Objectives for the Summit

- With his country's domestic crisis deepening, Gorbachev will want to nail down arms control and trade agreements that will reduce the external "threat," facilitate substantial cuts in defense spending, and improve prospects for eventual expansion of bilateral trade and US investment.
- He is well aware of the economic and political factors that limit the extent of US assistance to the Soviet economy but is likely to come looking for increased investment and technical assistance.
- The situation at home gives Gorbachev considerable incentive to avoid initiatives that could sour the outcome of the summit; he probably will not, however, show much flexibility on Lithuania or Germany.
- A "successful" summit would give Gorbachev a marginal political boost at home prior to a pivotal party congress but provide little political slack in dealing with the domestic and foreign crises he faces.
- These crises have led Gorbachev to adopt a more cautious stance on several issues (domestic reform, Germany, and CFE), but he retains the clout at home to deal on agreements he believes are in the Soviet interest.

This Executive Brief is based on a meeting of Intelligence Community analysts held on 17 May 1990. It was produced by the National Intelligence Officer for the USSR and coordinated with Community representatives.

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A Wobbly Home Front

Gorbachev will come to his second set of talks with President Bush with an even more precarious situation at home than at the time of the Malta meeting. His own position seems relatively secure--with new presidential powers--but little else is.

- The economy gets worse each day. The leadership is unable to stem the decline, and a new radical reform program has yet to be passed by the Supreme Soviet.
- Nationalist challenges to Moscow's control are intensifying, and not only in the Baltics. The breakaway of some republics seems likely over the next few years, although the terms of the "divorce" remain uncertain.
- Politics are polarizing: democratic forces increasingly are pushing reform beyond Gorbachev's agenda, and traditionalist elements are attempting to draw a line on change. A victory by Yeltsin in the race for president of the Russian Republic would pose the strongest threat yet to Gorbachev's dominance of national politics.

Most Intelligence Community analysts think that these multiple stresses are producing more infighting within the leadership. This factionalism probably will lead to yet another showdown at the party congress in July and a formal split in the party over reform.

Gorbachev, of late, has sought to restrain radical pressures. He may continue this tactic in the belief that the country will disintegrate unless some order is imposed on the reform process. In the past, however, he has tried to run with or ahead of reformist pressures, and he may do so this time as well when he faces the inevitability of having to decide how fast and how far reform should go.

Maneuvering Room?

Notwithstanding his domestic problems, the Intelligence Community believes that Gorbachev retains considerable maneuvering room on summit issues. The runup to the summit has demonstrated that he can even deal on such tough issues as START, where critical national security interests are at stake and the military's role and equities are greater.

The recent changes in the geopolitical environment have led Gorbachev to reconsider issues like CFE and the German question. He shares the concerns of some traditionalist elements and the military in these areas and is unlikely to be as flexible as he has been previously.

Gorbachev also shares their concerns on the Baltic republics. He will want to avoid recriminations over this issue in Washington, as his willingness to receive Lithuanian Prime Minister Prunskiene during the ministerial indicated. But he does not seem prepared to meet the Lithuanians half way and back off from his demand that the Lithuanians suspend their declaration of independence before negotiations begin. He is likely to make this clear in his discussions here.

What He's After

Gorbachev's primary goal for the summit is to reach agreements that will maintain momentum in his foreign policy successes and eventually provide some relief to the USSR's seriously ill economy. START, nuclear testing, and chemical weapons agreements will bolster his argument that the "threat" from the West continues to recede, thus diminishing the clout of orthodox party critics on these issues and allowing a more significant shift of resources away from the defense sector of the economy. A trade treaty would only pay long-term dividends, but any

investment or technical assistance he managed to obtain would be welcomed by public opinion and perhaps provide some early economic relief.

The political benefits to Gorbachev of a "successful" summit would be less concrete.

- A "triumph" in the United States will provide some boost to his position in the leadership as the party congress approaches.
- But his foreign policy exploits have decreasing resonance at home as the domestic crisis deepens.

On the other hand, a "failed" summit--no initialing of START or a confrontation with the President over the Baltics--would add to his woes.

- His traditionalist and military critics would claim that their call for a tougher stance on security issues and the Baltics had been justified.
- The potential economic gains would be lost or at least postponed.

For this reason, he will continue to work for a successful outcome. He might have a surprise or two up his sleeve, such as announcing another nuclear testing moratorium, proposing radical cuts in nuclear or conventional arms, or tabling some new regional proposal. But he is not likely to risk initiatives that could sidetrack the discussions or reduce the achievements of the summit to ephemeral headlines.

Economic Issues

Although Gorbachev appears to realize the economic and political limits on what the US Government can do for the Soviet economy, his indication at the Moscow ministerial of the USSR's need for a major infusion of Western capital strongly suggests that he will make such a

request to President Bush. Some of his top--and most radical--economic advisers have recently emphasized the criticality of Western economic assistance in the Soviet shift toward a market economy.

Gorbachev is likely to tout the various radical economic reform programs being debated as evidence that the USSR is serious about reform and about joining the international economic system. He probably will allude to serious repercussions for the United States and the West if Soviet economic reform fails.

- He may hope that this will convince US Government and business leaders that assistance to and investment in the Soviet Union is in their interest.
- To emphasize the point, he may announce the conclusion of some new business deals with US firms while in the country, although we have no hard evidence that any are near closure.

We believe Gorbachev is eager to conclude the trade treaty at the summit. The Soviets have moved to wrap up most of the technical details of the treaty and are working to clear up arrearages with US firms, in part through increasing gold sales. Although the Supreme Soviet's plans to discuss the new emigration bill are unclear at the moment, Gorbachev may try to persuade it to expedite the bill to facilitate signing the trade treaty at the summit.

The German Question

Gorbachev will try to impress upon President Bush the depth of Soviet concern about a unified Germany in NATO and the shift in the European balance of power this would bring. He is likely to take a relatively tough line and does not anticipate major movement on Germany at the summit.

Shevardnadze publicly made a point at the Two-Plus-Four talks in Bonn of emphasizing the constraints that Soviet popular opinion allegedly puts on Moscow's ability to compromise. He implied--and other Soviet leaders have contended to Western audiences in private--that Gorbachev might not survive politically if a unified Germany remained in NATO.

The Community is split on how vulnerable domestically Gorbachev is on the German question. Some analysts believe that Shevardnadze was not posturing and that the visceral views the military leadership and Ligachev have on the German question make it very unlikely that Gorbachev could accept a unified Germany in NATO. They believe that, in the end, Gorbachev will refuse to remove Soviet troops if he does not obtain the creation of a new European security structure in which NATO is at most a political shell.

Most analysts, however, see the statements of Shevardnadze and other Soviet officials largely as negotiating ploys to gain some leverage over the eventual external security settlement and generally to buy time.

- [They point to evidence indicating that the Soviet populace is not seized with the German issue, as well as Soviet recognition that little can be done to stop unification.
- In addition, they argue that although the views of Ligachev and the military cannot be ignored, Gorbachev is strong enough to survive their opposition if he gets most of the assurances on Germany that the West seems inclined to offer.

Gorbachev will push to keep a unified Germany out of NATO or at least out of the NATO unified military command. He also will seek to tie the Soviet troop presence in the East to the US presence in the West. Most analysts believe,

however, that Gorbachev ultimately will concede on these points and accept a unified Germany in NATO if he obtains most of the following important assurances:

- No NATO or West German forces in the current GDR and a relatively lengthy transition period (three or more years) for the departure of Soviet troops.
- A commitment on a sharp reduction of the German armed forces.
- A commitment on a substantial cut in--possibly elimination of--NATO nuclear weapons on German soil.
- Gestures by NATO toward transforming the alliance into more of a political institution and a reexamination of its strategy.
- Movement toward the creation of a pan-European security structure based on CSCE.
- Substantial assistance from Bonn in footing the bill for maintaining Soviet troops in Germany during the transition period and commitments to increase German investment in the USSR.
- A document or series of documents Moscow can point to as equating a peace treaty formally ending World War II.

Most analysts believe that a refusal by Gorbachev to remove Soviet troops is not likely. Moscow keenly desires a good long-term relationship with a united Germany (not least for economic reasons) and realizes that refusing to leave would severely strain relations with the United States and other Western powers.